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Venture Capital Financing and Performance of Micro, Small and Medium Enterprises in Southwest, Nigeria

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ABSTRACT:

In Southwest Nigeria, micro, small and medium enterprises play a vital role in driving socio-economic development. They remain crucial to Nigeria's economic growth and development initiatives by the government, but most of these micro, small and medium enterprises face significant challenges, which are majorly financial. This study therefore examined the effect of venture capital as a source of finance on the performance of micro, small and small enterprises in the southwestern part of Nigeria. Survey research design was adopted, with a structured questionnaire used to collect primary data from the selected businesses. A sample size of 164 was drawn for the population using stratified random sampling. The research questions were analysed using percentages, cumulative percentages, mean, standard deviation, skewness and kurtosis, while the formulated hypotheses were tested using chi-square statistics. The study found that private equity, debt financing, grants and personal savings have a significant effect on the performance of micro, small and medium enterprises in Southwest Nigeria. It is therefore recommended that governments of the Southwestern region should support micro, small and medium enterprises (MSMEs by harnessing their potentials to achieve sustainable economic growth, improve living standards, and enhance overall socio-economic development of the region. Also, managers of micro, small and medium enterprises (MSME) should prioritise leveraging grants as a strategic financing option to fuel business growth and increase long-term viability.

Keywords: Venture capital, questionnaire, skewness, kurtosis, private equity,

1.0 INTRODUCTION

Every country's ability to prosper economically depends on its micro, small and medium-sized enterprises (MSMEs). Micro, small and medium scale enterprises have long been recognised as an instrument of economic growth and development. It has been acknowledged to be crucial in order to achieve socioeconomic goals like employment and job creation, income distribution, capital savings, food security, higher productivity, poverty reduction, rapid industrialisation, rural development and geographical balance, among others (Boniface, 2006; Aremu & Adeyemi, 2011). The goal and accomplishment of MSME growth had a major impact on the path of industrial development and has increased output, income generation, and job creation in both developed and developing nations (Tekola & Gidey, 2019; Dasaraju, Somalaraju, & Kota, 2020; Endris & Kassegn, 2022). MSME Survey (2020) provides the following Nigerian Bank of Industry definitions: micro enterprise as that business with less than or equal to ten (≤10) employees, less than five million naira (≤ N5m) in total assets and less than twenty million naira (≤ N20m) in annual turnover. Small enterprise is a business with more than eleven but less than or equal to fifty (>11≤ 50) employees, more than five million but less than or equal to one hundred million naira (>N5m≤ N100m) total assets, and less than or equal to one hundred million naira (≤ N100m) annual turnover. A medium-sized enterprise is a business with more than fifty-one and less than or equal to two hundred (>51≤ 200) employees, more than one hundred million but less than five hundred million naira (>N100m≤ N500m) in total assets, and less than or equal to five hundred million in annual turnover (≤ N500m).

MSMEs provide about 90% of businesses and more than 50% of employment in the world (World Bank, 2019). Micro, Small, and Medium-Sized Enterprises (MSMEs) comprise about 96% of all businesses in Nigeria, generate 49% of the country's GDP, and employ 84% of the labour force (MSME Survey, 2020). The capital involved in the establishment of MSMEs is low, and they are more labour intensive than larger business firms. Thus, there are more opportunities for people to participate in MSMEs, resulting in their significant contributions to industrial development. MSMEs are critical to the survival of Nigeria's economy (Etuk, Etuk & Michael, 2014). MSMEs have the potential to increase income, create jobs, and lower the nation's poverty rate, and thus are crucial to achieving socioeconomic goals. MSMEs have long faced challenges that keep them from growing and contributing to the economy as expected. These challenges include lack of capital, unfavourable business climate, lack of managerial and entrepreneurial skills, lack of financial discipline and lack of access to modern technology (Moradeyo & Babalola, 2013; Gololo, 2017, Ufua et al., 2020; Ugbala et al., 2021; Olowe).

Lack of capital has been identified in financial literature as one of the primary obstacles to the growth of SMEs. For instance, 222 SMEs have closed in recent years, and 80% of SMEs were stifled by poor financing, unstable economies, and monetary policy issues (Aroloye, 2017; Nwosu, 2020; Igbomrore et al., 2023; Anudu & Okojie, 2025). Lack of managerial and entrepreneurial skills also poses a serious threat to the growth, viability, and economic contribution of micro, small, and medium-sized enterprises in Nigeria. Lack of managerial and entrepreneurial skills leads to limited access to markets and customers, poor decision-making, high failure rates, inefficient resource allocation, a decreased contribution to the gross domestic product, a restricted ability to create jobs and spur economic growth, and a decreased level of competitiveness. Micro, Small, and Medium-Sized Enterprises in Nigeria are also beset by lack of financial discipline, leading to a host of unfavorable consequences, such as inadequate budgeting, limited credit availability, a high degree of debt, a higher risk of bankruptcy, and restricted growth. Also, lack of financial discipline is an example of unethical behaviour such as bribery and corruption. which are prevalent in almost every nation on earth and may even be innate to human society. These behaviours have reached terrifying levels in Nigeria and other sub-Saharan African nations affecting the growth of small businesses (Ogundele et. al, 2013).

Access to modern technology is another issue that many MSMEs in Nigeria encounter, which hinders their ability to handle data, productivity, supply chains, innovation, competitiveness and efficiency. The unfavourable business environment also hinders the growth and survival of MSMEs in Nigeria. A number of factors contribute to an adverse business environment for MSMEs, such as a heavy regulatory load, corruption, poor infrastructure, restricted market access, and regular policy changes. (Ou & Haynes, 2006; Agbo, 2020; Ugwu-oju, Onodugo, & Mbah, 2020; Oke, Soetan & Ayedun, 2023). Another challenge that adversely affect the MSME growth is the infrastructure. MSMEs' growth is significantly impacted by Nigeria's infrastructure, which contributes to the subsector's appalling performance (Bolaji, Afolayan, Epetimehin & Adeigbe, 2024). In all, the major obstacle to the growth, sustainability, and economic contribution of micro, small, and medium-scale enterprises in Nigeria is capital shortage. Small and medium-sized businesses find it challenging to obtain equity financing from individual and finance firms. Even if the financial house agrees to lend equity capital, the conditions are usually terrible. All of these result in the sector's insufficient capital, which in turn results in subpar financing. The majority of Nigerian small industries have been ruined by shortage in finance (Osotimehin et al., 2012). The issue of inadequate funding and other related issues impedes almost 80% of small and medium-sized businesses (Chukwuemeka, 2011).

Inadequate funding prevents MSMEs from expanding, acquiring new technology, and increasing productivity. MSMEs find it more difficult to compete when funding is limited because larger businesses can afford to spend more on marketing, research and development, and other projects. Additionally, lack of funding limits MSMEs' capacity to innovate and increase output by preventing them from investing in training, hiring, or other forms of support for new employees. MSMEs that lack sufficient funding are more vulnerable to economic downturns, which raises the possibility that they will fail in dire situations. The cost of capital and limited equity capital are two ongoing financing issues that SMEs face (Adeniken, Oki & Maimako, 2020). The majority of MSMEs have fallen victim to debt obligations, even in cases where they have obtained funding from traditional financial institutions, as many of them have progressed from one stage of growth to the next (Adongo and Stork, 2006; Nyang’Era, 2009). In the quest to establish MSMEs, entrepreneurs mostly opt for venture capital. The term 'venture capital' describes the financial resources provided by investment banks, investors and financial institutions, invested in early-stage, high-potential businesses, usually in the technology or innovation sectors, in exchange for equity ownership. One important way to look at venture capital is as a vital source of development and funding for new businesses (Souakri, 2020). Typically given to young, high-potential enterprises in the early stages of their development, venture capital is a type of investment from private equity (Gompers & Lerner, 2001). Venture capital, which comprises seed, start-up, and growth finance for start-up businesses that have previously demonstrated promise for success but are not listed on public securities markets or have limited access to traditional funding sources, is categorised as high-risk equity capital (Gompers & Lerner 1999; OECD 2018).

Venture capital has emerged as a vital funding source for small and medium-sized enterprises in several countries, including Nigeria. Venture capital investments provide companies with the funds they need to develop new products and technologies, which helps Nigeria stay competitive by generating jobs and taxes. The objective is to obtain sufficient long-term capital gains from venture capitalists and investors. Venture money enables investors to obtain equity capital, allowing them to support the expansion of their businesses while maintaining control (Watse, 2017). The business has access to the venture investors' knowledge of computer systems, accounting, budgeting, and back-office operations. The venture capitalists' extensive network of contacts and expertise adds value to the company and increases its reputation among clients (Gbandi & Amissah, 2014). A startup qualifying for venture capital must prove beyond doubt that it can enlarge to become a competitive player or must have depicted significant growth in areas such as annual revenue, growth, and development of the workers, marketing, or all these areas. The primary reason for the investment by venture capital firms is to acquire equity or some stake in a new startup.

Venture capitalists use a multi-phase evaluation procedure, where the most crucial factors in the screening stage are the traits of the entrepreneurs. In the financial markets, venture capital has become a significant middleman, giving new, high-tech companies funding that they might not have otherwise received (Gompers & Lerner, 2001). Venture capitalists' subjective qualities and their relationships with entrepreneurs who possess comparable qualities impact their investment decisions (Souakri, 2020). Venture capital has become an essential tool for fostering the expansion and advancement of creative businesses in the fields of entrepreneurship and business finance. There has been an increase in interest in thorough studies of the global venture capital markets as governments everywhere acknowledge the significance of innovation and entrepreneurship as engines of economic growth. Venture capital can be raised through private equity, debt financing, grants, personal savings and through other sources. In Nigeria, most managers of micro, small and medium enterprises do not focus on grants, one of the best sources of venture capital. Grants provide much-needed capital without the burden of loan repayment or equity dilution, allowing MSMEs to invest in new technologies, expand operations, and improve competitiveness.

This scope of this study covers micro, small and medium enterprises in Southwest, Nigeria. 51% of medium and small business enterprises are located in the Southwest region of Nigeria (Akintaro, 2022). The overall number of MSMEs in Southwest Nigeria is about 19.2 million. This encompasses micro, small, and medium-sized businesses, with Lagos State having a large concentration and recognized as the area having the highest number of MSMEs in Nigeria and is expected to contribute to the internally generated revenue of the region. In actual fact, the huge number of these MSMEs has not meant its expectation of positively impacting the economy of these Southwestern States in Nigeria (Awe & Omoniyi, 2023). Hence, the need to further research into the effect of venture capital financing on performance of micro, small and medium enterprises in Southwest, Nigeria.

Research question

i. What is the effect of private equity on performance of MSMEs in Southwest, Nigeria?

ii. What is the effect of debt financing on performance of MSMEs in Southwest, Nigeria?

iii. What is the effect of grants on performance of MSMEs in Southwest, Nigeria?

iv. What is the effect of personal savings on performance of MSMEs in Southwest, Nigeria?

Objectives of the study

The broad objective of the study is to examine the effect of venture capital financing on performance of micro, small and medium enterprises in South-West, Nigeria. The specific objectives are to:

i. determine the effect of private equity on performance of MSMEs in Southwest, Nigeria.

ii. examine the effect of debt financing on performance of MSMEs in Southwest, Nigeria.

iii. investigate the effect of grants on performance of MSMEs in Southwest, Nigeria.

iv. ascertain the effect of personal savings on performance of MSMEs in Southwest, Nigeria.

Hypotheses of the study

The following null hypotheses are formulated as:

Ho_1: Private equity has no significant effect on performance of MSMEs in Southwest, Nigeria.

Ho_2: Debt financing has no significant effect on performance of MSMEs in Southwest, Nigeria.

Ho_3: Grants have no significant effect on performance of MSMEs in Southwest, Nigeria.

Ho_4: Personal savings have no significant effect on performance of MSMEs in Southwest, Nigeria.

2.0 LITERATURE REVIEW

2.1 Conceptual review

2.1.1 Private equity

Working capital is made available by private equity to support a target company's growth, including the creation of new goods and services, organisational, reorganisations, management changes, and ownership and control changes. Investments in businesses that are not listed on the public stock exchange are referred to as private equity. The goal of private equity firms' investments in private enterprises is to outperform public markets in terms of returns. Institutional investors like pension funds and private equity firms backed by accredited investors make up the private equity sector. Deep-pocket funds dominate the market since private equity invests directly, frequently gaining influence or control over a company's activities, necessitating a large financial outlay for these businesses. Private equity is stock in a private firm that is not offered to the general public, rather, it is provided to limited partnerships and specialised investment funds that actively participate in the structures and administration of the companies. Private-equity capital is invested in a target company by an investment management firm, angel investor, or venture capital fund; each of these investor types has distinct financial goals, management preferences, and investment strategies to generate revenue.

2.1.2 Debt financing

Debt financing is a type of business finance where a business borrows funds from a lender, such as a bank or working capital funding agency. In debt financing, the borrowing company has a set amount of time to pay back the money they borrowed plus interest or a predetermined fee. The three primary forms of debt financing are asset-based lending, which uses assets listed on a company's Statement of Financial Position as security against the funding; invoice financing, which involves a lender using an unpaid invoice as security for funding and giving the business immediate access to a portion of the invoice's value; and business loans, which involve borrowing money and repaying it with interest. Interest paid on business loans may reduce your taxable income considerably and ultimately save you money because it is frequently tax deductible. Since debt financing is safer from the perspective of the lender, it is typically less expensive than equity financing. SME debt financing options allow for expansion while giving the company owner control over the company. However, it is essential to be aware of the dangers of excessive leverage, particularly in volatile markets. Effective debt finance management is essential to preserving the financial stability of a company while leveraging it to support growth and innovation. Only borrowing money when there is a clear plan for how it would be used and paid back is an intelligent decision. A debt repayment plan should be established in order to prevent default and the resulting harm to your credit score.

2.1.3 Grants

Grant funding is a financial asset offered by governments, foundations, companies, or other organisations to support particular projects or initiatives that fit with their goals. One type of non-repayable financial assistance is a grant. Business grants are sums of money given by the government or a private entity for a particular objective, like research and development, expansion, or training. The fact that you are not required to repay them sets them apart from other types of financing. Additionally, you are not required to exchange a portion of your company. In the developed countries, there are numerous business grants available, and certain industries like energy, innovation and export are especially active and provide a variety of choices. Some of the benefits of using grants as a source of financing business are that they have no repayment and they are retained equity. When a company receives a grant, it is guaranteed that such a company retains full control over a business, and as such, the ownership stake is not weakened. Business grants frequently work well with other financing options like business loans or equity financing, enabling a company to raise money without the disadvantages of doing so from a single source, like having to manage sizeable monthly repayments or give up a significant amount of company equity. MSMEs in Nigeria access grants from government establishments like the Bank of Industry (BOI), the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), the Development Bank of Nigeria (DBN), the National Social Investment Programme GEEP Loans, and the NG CARES MSME Support Scheme. In addition, Nigerian MSMEs also explore funding from business accelerators and incubators, crowdfunding platforms and venture capital and angel investors.

2.1.4 Personal saving

Entrepreneurs can start their businesses without depending on external funding by using their personal funds to pay for startup costs like equipment purchases, business registration fees, and initial inventory purchases. Accomplishing the entrepreneur's personal financial objectives is the focus of personal finance. The greatest advantage of funding a business with personal savings is that it is simple, and it does not involve applying for financing because the money is already that of the entrepreneur. However, starting a business with personal funds is not only simple but also makes exiting a business simpler. If, for instance, business fails to go as planned, the entrepreneur may choose to abandon the business, which may not be possible if funding is through loans. When the bank grants a company a small business loan, the money the company makes will be used to pay back the interest and repayments. Also, any cash-investing angel investors will anticipate owning a portion of the business, and less money would be made if there are other shareholders because the profit would have to be split. Additionally, dividends would have to be paid, which are calculated as a percentage of the business's profits. When it comes to running a business, using personal savings can help the entrepreneur to become more disciplined. Since personal funds were earned through hard work, they are more valued than receiving them from another party. Such funds would be expended by the manager more sensibly, and they would be less inclined to engage in extravagant spending.

2.2 Empirical review

Emerah, Oyedele and Ofobruku (2020) examined venture capital and performance of small and medium-scale enterprises in Nigeria for the period of 2000 to 2021. The study’s population was made up of all Nigerian SMEs that were registered with the Corporate Affairs Commission. Percentages, means and ordinary least squares regression were used for the analysis, and the results showed that venture capital had a significant positive effect on the performance of small and medium enterprises in Nigeria. Wambui, Ngali & Wepukhulu (2023) examined venture capital and growth of small and medium-sized enterprises in Kiambu County, Kenya. Assessing the impact of venture capital financial, managerial, and technical support, as well as luring in additional venture capital funding sources, on the expansion of SMEs in Kiambu County was among the specific goals. The study employed a descriptive research approach in order to accomplish its objectives and all 889 SMEs in Kiambu County that are listed in the Kiambu Business Directory (2021) were part of the target demographic. It was found that managerial support, financial support, venture capital monitoring and technical support affect SMEs' growth in Kiambu County, and that venture capital affects the growth of SMEs in Kiambu County generally.

Akpan and Onyia (2020) investigated the effects of venture capital financing on the growth of small and medium-sized enterprises in Nigeria from 2000 to 2020. The data was obtained from the Central Bank of Nigeria Statistical Bulletin, and the formulated hypotheses were tested using ordinary least squares regression analysis. The study found that total savings of deposit and lending rate had positive and non-significant effects on SME growth in Nigeria, and prime average deposits and lending rates had negative and non-significant effects on SME growth in Nigeria. Theophine (2017) assessed the effect of venture capital financing on innovative start-up companies in Nigeria. The study used a qualitative methodology and in-depth interviews, selecting 30 start-ups out of a total of 120 for the interviews. It was discovered that the use of venture capital financing had an impact on the growth of innovative start-ups, and it also increased profitability, boosted the asset base, spurred employment growth, and improved the quality of management for venture capital-based start-ups.

Mboto, Amenawo and Udoka (2018) examined venture capital financing and the growth of small and medium-scale enterprises in Calabar metropolis with a sample of forty selected SMEs in Calabar. Data collected were analysed using multiple regression analysis to test the formulated hypotheses. The study discovered that there was a significant effect of investment back on the development of SMEs in terms of volume of business, record keeping, sales value, net assets, and access to other sources of funding. Kufre, Friday and Chikanele (2022) examined the effect of venture capital on the growth of small and medium enterprises in Akwa-Ibom State. A survey research design was used in the study to determine the relationship between venture capital and the growth of small and medium enterprises in Akwa Ibom State, Nigeria. The study adopted the use of a questionnaire to obtain the primary data, while secondary data were obtained from published literature on small and medium enterprises and venture capital. The formulated hypotheses were analysed using descriptive statistics and multilinear regression models and it was found that a positive and significant correlation exists between each component of venture capital and SME growth in Akwa Ibom State.

Baraka and Abel (2015) assessed the influence of venture capital financing on the growth of micro, small and medium enterprises in Kenya. Descriptive research design was adopted, and data were collected from both the primary and secondary data. Findings showed that as a result of various credit financing providers changing their minds after learning that the venture capitalist was funding the MSMEs, the company's reputation improved. It was also shown that the expansion of MSMEs was significantly influenced by venture capital and capitalist expertise. Junjuan and Zheng-Qun (2020) investigated the effect of venture capital on the growth of small- and medium-sized enterprises in agriculture. With data obtained from 40 agricultural SMEs and Chi Next boards in China, the multivariate regression analysis method was used for the analysis. The results showed that the venture capital had a significant effect on the profitability, technology innovation and growth ability of small and medium enterprises.

Kato and Tsoka (2020) examined the impact of venture capital on SMEs' performance in Uganda. The study adopted a mixed method and used survey questionnaires administered to 90 SMEs and complemented with data from semi-structured interviews. The multiple regression analysis and correlation coefficient were employed to test the hypotheses, and it was found that tremendous growth of venture-capital-backed companies in sales turnover, profitability and return on assets matched that of the non-venture-capital-backed firms. Chenjing, Di Mao and Machang (2020) investigated the role of venture capital in enterprise innovation under psychological capital and heterogeneity of entrepreneur capital. According to the data samples of growth enterprise market-listed companies from 2010 to 2016, the findings showed that venture capital had a significant positive effect under psychological capital and heterogeneity of entrepreneur capital.

Brighton (2019) evaluated venture capital finance's capacity to promote the growth of small to medium enterprises (SMEs) in Zimbabwe. Explanatory research design was used as methodology in order to investigate the existing relationships. The findings of the study revealed that venture capital had the capacity to promote the growth of SMEs. Net assets, profits and the employees' number were found to be on the increase after using venture capital by SMEs. Peneder (2010) examined the impact of venture capital on innovation behaviour and firm growth. The data for the empirical analysis were drawn from three different sources, and the findings showed that recipients lacked access to satisfactory alternative sources of capital. Atah and Abba (2020) examined the effect of venture capital financing on the growth and development of small- and medium-scale enterprises in the Kumbotso Local Government Area of Kano State. Data were obtained from the five venture capitalist organisations in Kumbotso Local Government via simple random sampling. The data collected were analysed using descriptive statistics by using percentages and tabulation. The results for the study showed that the operations of venture capital are a successful business and the overall profitability is remarkable.

Eric (2017) examined the impact of venture capital financing on the growth of SMEs. The study adopted both qualitative and quantitative approaches. The results showed that venture capital funding helped businesses to grow, and more profits were made. The result also found that the advent of venture capital financing has increased the assets of the SMEs, and there was a statistically significant increase in the workforce. It also showed that venture capital funding significantly affects SMEs' performance. Alao et al. (2025) examined the effect of venture capital financing and the performance of small and medium-scale enterprises in Southwest Nigeria. Data were sourced from twenty-five purposively selected SME firms, and the formulated hypotheses were tested using multiple regression analysis. The result of the study showed that growth, prudent financial management, improved management style and attraction of other financiers jointly affect the performance of small and medium enterprises in Nigeria, indicating implications for sustainability and economic recovery.

Akinyele, Akinyele and Shodunke (2023) assessed entrepreneurial financing and growth of small and medium enterprises in Abeokuta, Nigeria. Data were collected through well-structured and cross-sectional questionnaires and administered to a sample selected through simple random sampling. The formulated hypotheses were tested using Pearson correlation and linear regression analysis. Findings showed that bank credit has a significant effect on the growth of small and medium enterprises, crowded funding has a positive relationship with small and medium enterprises' net profit margin, and equity financing has a high positive relationship with market share. Onyeiwu, Muoneke and Nkoyo (2021) assessed the relationship between the finance of small and medium-scale enterprises and the impact of their growth in Enugu State, Nigeria. The study used a descriptive survey design with a structured questionnaire to collect the primary data employed for the study. The survey responses were analysed with descriptive statistics, such as percentages, frequencies, standard deviations and means. The study discovered that both formal and informal financing have significant positive effects on business performance.

Ogbe, Osayi and Amadi (2023) examined the determinants of venture capital financing among micro-agro enterprises in Abia State, Nigeria. The study analysed the determinants of venture capital financing among micro-agroenterprises in Abia State, Nigeria. The study specifically sought to ascertain the socioeconomic characteristics of the respondents, the requirements for obtaining venture capital financing, the financing requirements of the respondents, and the variables influencing venture capital financing among the respondents. Simple descriptive statistics like means, percentages, frequency distributions, and regression models were used to analyse the data. According to the study, the primary financial needs were for rent payments, business diversification, and input purchases. Furthermore, according to the respondents, one of the main requirements for obtaining venture capital funding was the capacity to share a portfolio with a working business plan and bank account. The factors influencing venture capital financing among the respondents were found to include age, education, income, assets, and business types.

Bassey and Ogaji (2024) investigated the effect of entrepreneurship financing on small and medium enterprises in Akwa Ibom State, the South-South region of Nigeria, focusing on crowdfunding, incubators and accelerators. A questionnaire was used as an instrument for data collection, and descriptive statistics and Smart PLS-SEM were used to analyse the data gathered for the study. The results showed that incubators, accelerators and crowdfunding have a significant effect on small and medium enterprises' performance. Nellie (2019) investigated the impact of venture capital on the growth of small and medium enterprises in Nairobi, Kenya, from 2010 to 2017. The study concentrated on the three dependent variables, which include the sales of the SMEs, profits of SMEs, and the market share of SMEs. Using a cross-sectional design, the study discovered that the relationship between SMEs' sales and growth depended on how the proceeds were handled; SMEs' profits had a significant impact on SMEs' growth, further suggesting that venture capital uses funding to positively influence SMEs' profits; and SMEs' growth was significantly impacted by market share, further suggesting that venture capital uses funding to positively influence market size.

Danladi (2021) examined the effect of government funding and performance of small and medium enterprises by establishing various financial institutions and regulating them for the purpose of enhancing the growth of small and medium enterprises in the country. Data for the study were sourced primarily through the use of a questionnaire. Simple percentages for descriptive data and multiple regression for tests of hypotheses were the methods employed for data analysis. The results showed that Bank of Agriculture funding to small and medium enterprises assists in the promotion and development of the performance of businesses, and Bank of Industry funding has a positive and significant effect on the performance of small and medium enterprises in Lagos State.

3.0 Methodology

3.1 Research Design

The study adopts a descriptive survey design to investigate the micro, small and medium enterprises in Southwest, Nigeria. The study population involved in this research includes visiting micro, small and medium enterprises in Ekiti, Osun, Oyo, Lagos and Ondo States. For the purpose of this study, the structured questionnaire was used to obtain the required data. The questions were divided into two parts: section A contains the biodata of the respondents, while section B contains questions on each of the objectives of the study. The data collection instrument (questionnaire) was administered by hand to some selected micro, small and medium enterprises in all Nigerian Southwestern States. A total of 164 questionnaires were administered; 30 questionnaires were administered to Ekiti, Osun, and Ondo each, 34 questionnaires were administered to Ogun State, and 40 questionnaires were administered to Lagos State. In all, 148 questionnaires were retrieved.

3.2 Sample and sampling techniques

For the purpose of collecting the required data, the study used stratified random sampling method by dividing the population into distinct subgroups (strata) based on characteristics like business type, size, or location. Then, samples were randomly selected from each stratum to ensure representation. to select the micro, small, medium enterprises for the. Questionnaire were administered on 164 respondents. For population that are large, and particularly for population where the total population is unknown, this formula will tell you the sample size required.

Calculation of an unknown sample size, the formula stipulates as below:

$$n_0 = \frac{Z^2 Pq}{e^2}$$

Where;

n_0= Sample size

Z = standard normal deviation set at 80%

confidence level (Z-score @80% C.L = 1 .282)

P = Percentage picking a choice or response

e = Confidence level

Therefore, our sample size was derived by:

$$n_0 = \frac{Z^2 Pq}{e^2}$$

n = $\frac{(1.282)^2(0.5)(0.5)}{0.05^2}$

n = $\frac{1.643524\ X\ 0.5\ X\ 0.5}{0.0025}$

n = $\frac{1.643524\ X\ 0.25}{0.0025}$

n = $\frac{0.410881}{0.0025}$

n = 164

Therefore, the sample size of this study was 164 respondents.

3.3 Analytical Techniques

Simple percentage was used to present the demographic information of the respondents and the study's research questions while the formulated hypotheses were tested using Chi-square statistics using Statistical Package for Social Sciences (SPSS) program version 16.0.

3.4 Validity and Reliability of Research Instrument

An estimate of the equivalency of sets of items from the same test is provided by internal consistency. Based on the proposition that items measuring the same construct should correlate, the coefficient of internal consistency offers an estimate of the measurement's reality. Cronbach's alpha is arguably the most popular technique for determining internal consistency reliability. The reliability test result of this study, which stands at 0.781, indicates that the research instrument is dependable.

4.0 RESULTS AND DISCUSSION

4.1 Demographic Features of Respondents

This section analyses the demographic features of the respondents which includes their age, educational qualification, gender and years of work experience.

Table 4.1: Demographic Features of Respondents

S/N	Variable	Scale	Freq.	Percent	Cumm. Percent
1	Age of Respondent	18 - 25 years	38	25.7	25.7
		26 - 35 years	42	28.4	54.1
		36 - 45 years	34	23.0	77.0
		46 years and above	34	23.0	100.0
		Total	**148**	**100.0**	

S/N	Variable	Scale	Freq.	Percent	Cumm. Percent
2	Gender of Respondents	Male	72	48.6	48.6
		Female	76	51.4	100.0
		Total	**148**	**100.0**	
3	Marital Status of Respondents	Single	47	31.8	31.8
		Married	92	62.2	93.9
		Widow	5	3.4	97.3
		Others	4	2.7	100.0
		Total	**148**	**100.0**	
4	Educational Qualification of Respondents	OND/SSC	29	19.6	19.6
		HND	32	21.6	41.2
		BSc	67	45.3	86.5
		MSc	17	11.5	98.0
		PhD	3	2.0	100.0
		Total	**148**	**100.0**	
5	Work Experience of Respondents	5 - 10 years	77	52.0	52.0
		11 - 15 years	35	23.6	75.7
		16 - 25 years	22	14.9	90.5
		26 years and above	14	9.5	100.0
		Total	**148**	**100.0**	

Note: Freq. implies Frequency; Percent implies Percentages and Cumm. Percent implies Cumulative Percentages

Source: Field Survey by the Authors (2025)

Table 4.1 reveals that 25.7% of the respondents are between the ages of 18 and 25 years, 28.4% are between the ages of 26 and 35 years, 23.0% are between the ages of 36 and 45 years and 23.0% are 46 years and above. This shows that the majority of the respondents are adults who engage in businesses. Also, the respondents' distribution is not gender biased, as 48.6% are males while the others are females. 31.8% are single, while 62.2% are married, and the result shows that 3.4% are widows and 2.7% belong to other categories. From the result, 19.6% have OND or SSCE certificates, while 21.6% already have HND. The result shows that 45.3% have BScs and 13.5% each have MSc and PhD certificates. This shows that the majority of the respondents have the required knowledge needed to answer the question. Also, 52% have between

5 and 10 years of work experience, 23.6% have between 11 and 15 years of work experience, and 14.9% of the respondents have 16-25 years of work experience, while 9.5% have above 26 years of work experience.

4.2 Analysis of Research Questions

Research Question One: What is the effect of private equity on performance of MSMEs in Southwest, Nigeria?

To answer questions 6 to10, copies of questionnaire were distributed to 148 respondents and the questions seeks to understand the effect of private equity on performance of MSMEs in southwest, Nigeria. Percentages, cumulative percentages, mean, standard deviation, skewness and kurtosis were used to analyse the responses.

Table 4.2: Respondents' opinion on the effect of private equity on performance of MSMEs in Southwest, Nigeria

S/N	Variable	Scale	Freq.	Percent.	Mean	S.D.	Skew.	Kurt.
6	Private equity provides funds that can boost the performance of MSMEs	Strongly Disagree	4	2.7	4.37	0.91	-1.87	3.90
		Disagree	3	2.0				
		Undecided	10	6.8				
		Agree	48	32.4				
		Strongly Agree	83	56.1				
		Total	**148**	**100.0**				
7	Private equity firms attract many wealthy investors and institutions to enhance capital venture financing	Strongly Disagree	1	.7	4.22	0.74	-1.11	2.44
		Disagree	3	2.0				
		Undecided	12	8.1				
		Agree	78	52.7				
		Strongly Agree	54	36.5				
		Total	**148**	**100.0**				
8	Private equity provides mentorship and expertise in MSMEs	Strongly Disagree	6	4.1	4.14	0.99	-1.44	2.21
		Disagree	3	2.0				
		Undecided	18	12.2				
		Agree	59	39.9				
		Strongly Agree	62	41.9				
		Total	**148**	**100.0**				

S/N	Variable	Scale	Freq.	Percent.	Mean	S.D.	Skew.	Kurt.
9	Private equity ensures adequate liquidity in MSMEs	Strongly Disagree	3	2.0	4.06	0.89	-1.12	1.66
		Disagree	5	3.4				
		Undecided	21	14.2				
		Agree	70	47.3				
		Strongly Agree	49	33.1				
		Total	**148**	**100.0**				
10	Private equity helps businesses regain their places in the market	Disagree	7	4.7	4.07	0.78	-0.73	0.46
		Undecided	19	12.8				
		Agree	78	52.7				
		Strongly Agree	44	29.7				
		Total	**148**	**100.0**				

Note: Freq. implies Frequency; Percent implies Percentages and Cumm. Percent implies Cumulative Percentages

Source: Field Survey by the Authors (2026)

Table 4.2 shows the responses of the respondents with respect to the effect of private equity on the performance of MSMEs in the southwest. The majority of the respondents agreed that private equity affects the performance of MSMEs in southwest Nigeria with respect to how private equity provides funds that can boost the performance of MSMEs, attract many wealthy investors and institutions to enhance capital venture financing, provide mentorship and expertise in MSMEs, ensure adequate liquidity in MSMEs and help businesses regain their places in the market. This is evident as their mean values are all approximately 4 and 5, which implies that the majority of the respondents agreed to the assertion.

Research Question Two: What is the effect of debt financing on performance of MSMEs in Southwest, Nigeria?

To answer questions 11 to 15, copies of questionnaire were distributed to 148 respondents, and the questions seek to understand the effect of debt financing on the performance of MSMEs in southwest Nigeria. Percentages, cumulative percentages, mean, standard deviation, skewness and kurtosis were used to analyse the responses as shown below:

Table 4.3: Respondents' opinion on the effect of debt financing on performance of MSMEs in Southwest, Nigeria

S/N	Variable	Scale	Freq.	Percent.	Mean	S.D.	Skew.	Kurt.
11	Debt financing allows a business to leverage a small amount of	Strongly Disagree	2	1.4	4.02	0.87	-0.73	0.63
		Disagree	3	2.0				
		Undecided	33	22.3				

S/N	Variable	Scale	Freq.	Percent.	Mean	S.D.	Skew.	Kurt.
	money into a much larger sum	Agree	62	41.9				
		Strongly Agree	48	32.4				
		Total	**148**	**100.0**				
12	Debt financing payments on the debt are generally tax-deductible	Strongly Disagree	3	2.0	3.85	0.98	-0.76	0.22
		Disagree	12	8.1				
		Undecided	29	19.6				
		Agree	64	43.2				
		Strongly Agree	40	27.0				
		Total	**148**	**100.0**				
13	Debt financing establishes a proven credit history to help your business secure other types of financing in the future	Strongly Disagree	3	2.0	3.88	1.00	-0.78	0.12
		Disagree	13	8.8				
		Undecided	27	18.2				
		Agree	61	41.2				
		Strongly Agree	44	29.7				
		Total	**148**	**100.0**				
14	Debt financing retains all ownership control	Strongly Disagree	4	2.7	3.69	1.08	-0.60	-0.46
		Disagree	22	14.9				
		Undecided	26	17.6				
		Agree	60	40.5				
		Strongly Agree	36	24.3				
		Total	**148**	**100.0**				
15	Debt financing can fuel business growth	Strongly Disagree	6	4.1	3.91	1.11	-0.89	0.07
		Disagree	12	8.1				
		Undecided	27	18.2				
		Agree	48	32.4				

S/N	Variable	Scale	Freq.	Percent.	Mean	S.D.	Skew.	Kurt.
		Strongly Agree	55	37.2				
		Total	**148**	**100.0**				

Note: Freq. implies Frequency; Percent implies Percentages and Cumm. Percent implies Cumulative Percentages

Source: Field Survey by the Authors (2025)

Table 4.3 shows the responses of the respondents with respect to the effect of debt financing on performance of MSMEs in southwest, Nigeria. The majority of the respondents agreed that debt financing allows a business to leverage a small amount of money into a much larger sum, debt financing payments on the debt are generally tax-deductible, establishes a proven credit history to help your business secure other types of financing in the future, retains all ownership control and can fuel business growth. This is evident as their mean values are all approximately 4 and 5 which implies that majority of the respondents agreed to the assertion.

Research Question Three: How does grants affects the performance of MSMEs in South-West, Nigeria?

To answer questions 16 to 20, copies of questionnaire were distributed to 148 respondents and the questions seeks to understand how grants affect the performance of MSMEs in southwest, Nigeria. Percentages, cumulative percentages, mean, standard deviation, skewness and kurtosis were used to analyse the responsesas shown below:

Table 4.4: Respondents' opinion on how grants affect the performance of MSMEs in Southwest, Nigeria

S/N	Variable	Scale	Freq.	Percent.	Mean	S.D.	Skew.	Kurt.
16	Winning a grant can make it easier for MSMEs to raise money from other government and private sources	Strongly Disagree	5	3.4	4.01	1.04	-0.99	0.61
		Disagree	6	4.1				
		Undecided	30	20.3				
		Agree	48	32.4				
		Strongly Agree	59	39.9				
		Total	**148**	**100.0**				
17	MSMEs view grant as free money that boost business since it requires no repayment	Strongly Disagree	8	5.4	3.82	1.14	-0.88	0.06
		Disagree	13	8.8				
		Undecided	25	16.9				
		Agree	54	36.5				
		Strongly Agree	48	32.4				
		Total	**148**	**100.0**				

S/N	Variable	Scale	Freq.	Percent.	Mean	S.D.	Skew.	Kurt.
18	Grants enables owners of MSMEs to retain the control of their business	Strongly Disagree	12	8.1	3.74	1.20	-0.83	-0.04
		Disagree	8	5.4				
		Undecided	34	23.0				
		Agree	47	31.8				
		Strongly Agree	47	31.8				
		Total	**148**	**100.0**				
19	Grants are non-repayable financial sponsorship solicited by MSMEs to finance their business	Strongly Disagree	4	2.7	3.80	1.07	-0.57	-0.39
		Disagree	13	8.8				
		Undecided	39	26.4				
		Agree	44	29.7				
		Strongly Agree	48	32.4				
		Total	**148**	**100.0**				
20	Grants can be used for variety of purposes; marketing; research and development, employee training etc.	Strongly Disagree	7	4.7	3.80	1.18	-0.81	-0.30
		Disagree	19	12.8				
		Undecided	20	13.5				
		Agree	52	35.1				
		Strongly Agree	50	33.8				
		Total	**148**	**100.0**				

Note: Freq. implies Frequency; Percent implies Percentages and Cumm. Percent implies Cumulative Percentages

Source: Field Survey by the Authors (2025)

Table 4.4 shows the responses of the respondents with respect to how grants affect the performance of MSMEs in southwest, Nigeria. The majority of the respondents agreed that Winning a grant can make it easier for MSMEs to raise money from other government and private sources, MSMEs view grant as free money that boost business since it requires no repayment, Grants enables owners of MSMEs to retain the control of their business, Grants are non-repayable financial sponsorship solicited by MSMEs to finance their business and Grants can be used for variety of purposes; marketing; research and development, employee training etc. This is evident as their mean values are all approximately 4 and 5 which implies that majority of the respondents agreed to the assertion.

Research Question Four: What is the effect of personal savings on the performance of MSMEs in Southwest, Nigeria?

To answer this questions 21 to 25, copies of the questionnaire were distributed to 148 respondents and the questions seeks to understand the effect of personal savings on the performance of MSMEs in southwest, Nigeria. Percentages, cumulative percentages, mean, standard deviation, skewness and kurtosis were used to analyse the responses as shown below:

Table 4.5: Respondents' opinion on the effect of personal savings on the performance of MSMEs in Southwest, Nigeria

S/N	Variable	Scale	Freq.	Percent.	Mean	S.D.	Skew.	Kurt.
21	Lack of personal savings contribute to MSMEs failure	Strongly Disagree	5	3.4	4.11	1.03	-1.34	1.46
		Disagree	9	6.1				
		Undecided	13	8.8				
		Agree	58	39.2				
		Strongly Agree	63	42.6				
		Total	**148**	**100.0**				
22	Personal savings help cushion the effect of financial emergencies and unexpected expenses	Strongly Disagree	4	2.7	4.10	0.94	-1.31	1.93
		Disagree	6	4.1				
		Undecided	16	10.8				
		Agree	67	45.3				
		Strongly Agree	55	37.2				
		Total	**148**	**100.0**				
23	Personal savings makes long-term and short-term goals achievable.	Strongly Disagree	5	3.4	4.07	0.98	-1.32	1.78
		Disagree	7	4.7				
		Undecided	15	10.1				
		Agree	67	45.3				
		Strongly Agree	54	36.5				
		Total	**148**	**100.0**				
24	Personal savings help MSMEs to build wealth and sustain the business	Strongly Disagree	6	4.1	4.01	1.09	-1.12	0.67
		Disagree	10	6.8				
		Undecided	20	13.5				

S/N	Variable	Scale	Freq.	Percent.	Mean	S.D.	Skew.	Kurt.
		Agree	52	35.1				
		Strongly Agree	60	40.5				
		Total	**148**	**100.0**				
25	Personal savings is a strong signal of commitment to other potential investors and banks.	Strongly Disagree	10	6.8	3.91	1.18	-1.12	0.45
		Disagree	11	7.4				
		Undecided	16	10.8				
		Agree	56	37.8				
		Strongly Agree	55	37.2				
		Total	**148**	**100.0**				

Note: Freq. implies Frequency; Percent implies Percentages and Cumm. Percent implies Cumulative Percentages

Source: Field Survey by the Authors (2025)

Table 4.5 shows the responses of the respondents with respect to the effect of personal savings on the performance of MSMEs in southwest Nigeria. The majority of the respondents agreed that personal savings on the performance of MSMEs in southwest Nigeria leads to Lack of personal savings contributes to MSME failure; personal savings help cushion the effect of financial emergencies and unexpected expenses. Personal savings make long-term and short-term goals achievable. Personal savings help MSMEs to build wealth and sustain the business, and Personal savings is a strong signal of commitment to other potential investors and banks. This is evident as their mean values are all approximately 4 and 5, which implies that the majority of the respondents agreed to the assertion.

Test of Hypotheses

Table 4.6: Chi-Square Test Statistics on the Four Hypotheses

	Total Observation	**148**		
Test Statistics				
	Hypothesis One Private equity and performance of MSMEs	**Hypothesis Two** Debt Financing and performance of MSMEs	**Hypothesis Three** Grants and performance of MSMEs	**Hypothesis Four** Personal Savings and performance of MSMEs
Chi-Square	114.811[a]	81.730[b]	59.000[c]	112.514[b]
Df	12	16	17	16
Asymp. Sig.	.000	.000	.000	.000

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 11.4.

b. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 8.7.

c. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 8.2.

Source: Field Survey by the Authors (2025)

Test of Hypothesis One

H_0: Private equity has no effect on performance of MSMEs in Southwest, Nigeria.

Decision Rule: Reject the null hypothesis (H0) at 5% level of significance if the probability of the chi square statistics for hypothesis one is less than 5% in Table 4.6, and this implies that it is statistically significant at 5%; otherwise, we fail to reject the null hypothesis.

Conclusion: The hypothesis is rejected because the probability of the chi-square statistics in Table 4.6 for hypothesis one is less than 5%, and thus, we reject the null hypothesis and accept the alternative and conclude that private equity has a significant effect on the performance of MSMEs in Southwest, Nigeria.

Test of Hypothesis Two

H_0: Debt financing has no effect on the performance of MSMEs in Southwest, Nigeria.

Decision Rule: Reject the null hypothesis (H0) at 5% level of significance if the probability of the chi-square statistics for hypothesis two is less than 5% in Table 4.6, and this implies that it is statistically significant at 5%, otherwise, we fail to reject the null hypothesis.

Conclusion: The hypothesis is rejected because the probability of the chi-square statistics in Table 4.6 for hypothesis two is less than 5% and thus, we reject the null hypothesis and accept the alternative and conclude that debt financing has a significant effect on the performance of MSMEs in South-West, Nigeria.

Test of Hypothesis Three

H_0: Grants have no effect on the performance of MSMEs in Southwest, Nigeria.

Decision Rule: Reject the null hypothesis (H0) at 5% level of significance if the probability of the chi-square statistics for hypothesis three is less than 5% in Table 4.6 and this implies that it is statistically significant at 5%, otherwise, we fail to reject the null hypothesis.

Conclusion: The hypothesis is rejected because the probability of the chi-square statistics in Table 4.6 for hypothesis three is less than 5% and thus, we reject the null hypothesis and accept the alternative and conclude that grants have a significant effect on the performance of MSMEs in Southwest, Nigeria.

Test of Hypothesis Four

H_0: Personal savings have no effect on the performance of MSMEs in Southwest, Nigeria.

Decision Rule: Reject the null hypothesis (H0) at 5% level of significance if the probability of the chi-square statistics for hypothesis four is less than 5% in Table 4.6 and this implies that it is statistically significant at 5%, otherwise, we fail to reject the null hypothesis.

Conclusion: The hypothesis is rejected because the probability of the chi-square statistics in Table 4.6 for hypothesis four is less than 5%, and thus, we reject the null hypothesis and accept the alternative and conclude that personal savings has a significant effect on the performance of MSMEs in Southwest, Nigeria.

The result shows that all the null hypotheses are rejected, and this implies that the chi-square statistics are significant. Thus, the study shows that private equity has a significant effect on the performance of MSMEs in Southwest Nigeria. Debt financing has a significant effect on the performance of MSMEs in Southwest, Nigeria; grants have a significant effect on the performance of MSMEs in Southwest, Nigeria; and personal savings have a significant effect on the performance of MSMEs in Southwest, Nigeria.

5.0 CONCLUSION AND RECOMMENDATIONS

This study had been designed to achieve the research objectives by employing a valid and reliable methodology; the chi-square statistics. It could thus be concluded from the study that there is a significant effect of private equity, debt financing, grants and personal savings on the performance of micro, small and medium enterprises in Southwest, Nigeria.

As a consequence, therefore, it is imperative that we consider a package of recommendations directed at improving the growth of MSMEs; these are:

i. Micro, small and medium enterprises managers should consider seeking private equity investments to access vital funding for expansion, leverage expert guidance, and tap into valuable networking opportunities.

ii. Banks should make loans available and affordable for micro, small and medium enterprises, as this could have a significant impact on driving growth, improving cash flow, and helping businesses achieve their objectives.

iii. Managers of micro, small and medium enterprises should priotise leveraging grants as a strategic financing option to fuel business growth and increase long-term viability.

iv. The use of personal savings as a financing option should be considered by micro, small and medium enterprises to avoid debt and interest payment on loans.

v. Governments of the Southwestern region should support micro, small and medium enterprises by harnessing their potentials to achieve sustainable economic growth, improves living standards, and enhance overall socio-economic development of the region.

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